



Date: May 19, 2015

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Kevin Dick, Director – Director, Office of Economic and Workforce Development
Subject: Amendment to the Economic Redevelopment and Historic Property Preservation Incentive Development Agreement with the Concord Hospitality Enterprises Company

Executive Summary

This item recommends the approval of a contract to amend the agreement between the Concord Hospitality Enterprises Company (Concord) and the City of Durham related to the economic redevelopment and historic property preservation incentive awarded to Concord Hospitality Enterprises Company on October 14, 2013.

Recommendation

The Office of Economic and Workforce Development (OEWD) recommends that the City Council authorize the City Manager to:

1. Hold a public hearing on the proposed amendment to an economic development economic incentive agreement per G.S. 158-7.1; and
2. Authorize the City Manager to execute an amendment to the original agreement between the Concord Hospitality Enterprises Company and the City of Durham extending the time required to secure a final Certificate of Compliance to no later than August 27, 2015;

Background

The proposed \$29.5 million project would create a 143 room upscale select service Residence Inn by Marriott hotel that will be located at 1108-1110 West Main Street in downtown Durham. The project includes the preservation of specific architectural elements of the historic McPherson hospital by incorporating the front and portions of the side façades of the McPherson building into the hotel structure. Additionally, the preservation of the McPherson hotel and its important architectural elements would help to integrate the project into the adjacent Trinity Park neighborhood to make it more compatible with the image and historical characteristics of Trinity Park.

In addition to preserving architectural elements of the McPherson hospital, the project would expand Durham's tax base by generating new property, sales and occupancy taxes and would create new permanent jobs. This project would continue

to enhance the downtown environment; which was identified as an objective of the 2007 Downtown Master Plan and endorsed by the City Council and many downtown stakeholders. The new jobs, expected to be created by the project, would consist of 14 part-time positions and 31 new full-time paying jobs with benefits; including 8 salaried positions. The Bull City Connector stops directly in front of the proposed hotel.

All City payments would be “performance based”. This means that Concord Hospitality Enterprises Company (“Concord”) would not receive any payments from the City until after the project construction is complete; the McPherson architectural elements have been preserved and integrated into the project; and incremental property tax revenue generation has started. In short, public dollars would follow private investment. A Durham-Based Business Plan and Durham Workforce Development Plan would also be required for the project. These plans would stipulate that Concord and/or its general contractor would make good faith efforts to engage Durham-based firms in the construction work that is done relative to the project and that Concord engages the Durham JobLink Career Center System in efforts to hire temporary and permanent staff related to the project. Relationships have been formed with North Carolina Central University, Durham Technical Community College and other entities in the area that provide hospitality and customer service training.

Issues and Analysis

According to the original agreement, Concord was required to secure a final Certificate of Compliance by June 30, 2015. Due to unforeseen severe weather, Concord experienced severe delays in its development schedule which directly prevented the Company from completing the project within the original proposed timeframes referenced in the economic development incentive agreement. Concord is requesting an extension to August 27, 2015.

Because of these delays, staff recommends that the City Council authorize the City Manager to amend the original economic incentive agreement in the following way:

1. Extend the time required to secure a final Certificate of Compliance to no later than August 27, 2015.

Alternatives

The City Manager may choose to reject the recommendation to extend the agreement or to approve a different length of time for the extension. Such decisions could severely impact the ability of the project be completed and to meet the broader visions of the Downtown Durham Master Plan, Comprehensive Plan and the intent to strengthen the business prospects of the Durham Convention Center. The incentives from the City of Durham are still a critical component for the project and are the basis for which concord was able to attract investment dollars needed to make this project happen. Such a decision could also severely impact the ability of the project to generate and sustain the new projected jobs through the Durham JobLink Career Center and jeopardize the preservation of historic elements of the McPherson building.

Financial Impact

Extending the completion date in the agreement by two months would have no financial impact as the maximum amount of the economic development incentive would not change.

SDBE

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBE's are involved in this item.

Attachments:

Amendment to Economic Redevelopment and Historic Property Preservation Agreement between Concord Hospitality Enterprises Company and the City of Durham